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Subsidiary Initiatives in the Institutional Environment

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Abstract We study subsidiaries of a MNC and research why they implement initiatives that deviate from organizational values of headquarters. Initially we relied only on the concept of institutional duality and expected that pressures in the institutional environment and values of headquarters explain the agency of the subsidiaries. But the results of our extensive participatory observation showed that the organizational values of subsidiaries (rather than those of headquarters) helped explain the subsidiaries' actions. In conclusion, we find that there are limits to the predictive power of the concept of institutional duality. Our study shows that a distinction between values of headquarters and values of subsidiaries is necessary in order to understand the agency of subsidiaries. We suggest a concept of 'institutional trinity' that distinguishes between these two values as well as pressures in the institutional environment. Our research demonstrates that an MNC can benefit from a subsidiary that develops its own organizational values. If headquarters is subsequently ready to adopt some of these subsidiary values, it may be able to adapt more easily to a changing institutional environment.

Keywords Climate change · Institutional duality · Institutional theory · Subsidiaries

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1 Introduction

Studying a large multinational car manufacturer, we observed that it took a noncommittal overall position on the issue of climate change. However, a few of its national sales and distribution subsidiaries, independently and individually, engaged in climate change mitigation activities, which included calculating their carbon footprint and offering CO_2 offsetting to their customers. Headquarters found these initiatives puzzling: Its general standpoint was that its national sales and distribution subsidiaries had other things to worry about than environmental issues, especially given the economic crisis and decreases in both sales and profits.

The initiatives of these subsidiaries also challenged recent contributions that conceptualize MNCs as intra-organizational fields, where—as Kostova et al. (2008) argue—strong isomorphic pressures exist for common practices, so that subsidiaries are often "obligated to comply" with a certain practice "mandated by the parent" company (Kostova and Roth 2002, p. 216). In general, earlier research has shown that MNCs define environmental strategies at the headquarters level, and then roll associated practices out to their subsidiaries (Christmann 2004; Christmann and Taylor 2001; Yang and Rivers 2009). However, our observations—that selected subsidiaries proactively implemented climate change initiatives despite their headquarters' noncommittal position—challenges these established findings.

Initially, we assumed our observations might be explained by the concept of *institutional duality*, which suggests that subsidiaries need to "conform to both host country and MNE pressures for legitimacy when adopting organizational practices or strategy" (Hillman and Wan 2005, p. 323). We noted that this concept was originally developed based on an in-depth analysis of an MNC with a set of monolithic and pervasive values, characterized as follows in the first paper on the subject by Kostova and Roth (2002):

> The company had a very pervasive and paternalistic organizational culture, which reduced the potential organizational culture variation across units within the company […]. The company was a centralized and headquarters-dominated organization. (p. 221)

However, in the multinational car manufacturer that we analyzed, we did not observe monolithic organizational values, but rather some variation of values across units. Thus our research question is: *In which circumstances do subsidiaries implement initiatives that deviate from the organizational values prevailing at their headquarters?*

We employ an analytic induction method to address this research question, which enables us to lay out our initial theoretical perspective clearly and to develop empirically grounded propositions. Our findings suggest that the concept of institutional duality is insufficient to explain the differences that we observed in the subsidiaries' actions. In its current form, the concept does not address the role of organizational values that may be embraced by a subsidiary but not by the headquarters. We conclude that our findings fit best with a concept of *institutional trinity*, in which the adoption of routines by individual units is explained by three factors: The values of the host country, the values of the MNC's headquarters and those of the subsidiary itself. This concept can help to reconcile the conflicting predictions of the literatures on institutional duality and those on entrepreneurial ventures of subsidiaries (Ambos et al. 2010; Birkinshaw 1997; Rugman and Verbeke 2001).

Whereas the literature on institutional duality portrays subsidiaries as merely reacting to pressures *either* from headquarters *or* from their host country (or combinations of those pressures), the literature on dispersed corporate entrepreneurship (or intrapreneurship) attributes a higher level of agency to the subsidiaries themselves, and we define an MNC's subsidiary initiative in line with that literature, as a "discrete, proactive undertaking that advances a new way for the corporation to use or expand its resources" (Birkinshaw 1997, p. 207). However, unlike previous research our definition of the scope of such 'proactive undertakings' is not a new product introduction, a rationalization or some other activity aimed at increasing the corporations' competitive advantage in the market. Instead, we study subsidiaries that use the resources available to them to "actively define, justify, and push the theory and values" that underpin the practices of a new institutional order (Rao et al. 2000, p. 241).

At the outset of our research we made certain assumptions about subsidiaries that display such agency in their institutional environments, which we summarize in the following paragraphs. Thereafter, we present the methods, results, discussion and conclusion of our research.

2 Initial Theoretical Perspectives

2.1 Institutional Theory and MNCs

At the beginning of our analysis we expected to find a corporate environmental strategy in place at the MNC addressing the complex and formally institutionalized issue of climate change (Levy and Kolk 2002). Here, a corporate environmental strategy "refers to a pattern in action over time intended to manage the interface between business and the natural environment" (Sharma 2000, p. 682). Previous research [such as by Christmann (2004) in the chemical industry] has suggested that MNCs operate centralized departments at their headquarters which develop such environmental strategies and then roll them out to their subsidiaries (Jennings and Zandbergen 1995), which we define as any operational unit controlled by an MNC and situated beyond the headquarters' home market (Birkinshaw 1997).

But both Kostova and Zaheer (1999) and Hillman and Wan (2005) recognize that subsidiaries are exposed to isomorphic pressures both from within their own corporations, and stemming from their host countries, so that their legitimacy-seeking activities must address both sets of demands (Hillman and Wan 2005;

Husted and Allen 2006; Ratiu and Molz 2010; Sharfman et al. 2004). We assumed that especially large subsidiaries need to respond to host country demands because they are particularly visible, and may therefore experience higher institutional pressure than smaller subsidiaries (Delmas and Toffel 2004). Clearly, pressures for climate change mitigation may vary from country to country, and we also expected that subsidiaries based in countries where pressures are highest will be the most likely to implement climate mitigation activities.

2.2 Issue Selling

At the outset of our study we also assumed that the literature on issue selling—which Dutton and Ashford (1993) describe as "individuals' behaviors that are directed toward affecting others' attention to and understanding of issues" (p. 398)—would help us address our research question. We expected to find differences among subsidiaries in terms of how effectively they framed their responses to the institutional demands of their host countries, while also working to stay in line with the norms and values of their parent firm.

Bansal (2003) finds that actors frame issues that stem from the natural environment in line with (a) the individual's concern about such issues (Sharfman et al. 2004), and (b) how consistent that response is with their organization's values, which Bansal (2003) defines as "first-order conditions that define organizational culture, identity, and other structural attributes of a social system." (p. 519). Similarly, Howard-Grenville and Hoffman (2003) argue that "social initiatives become successful when they are aligned with an organization's core culture because culture guides both what issues get attended to and how they get acted upon." (p. 70). Based on this literature, we initially assumed that subsidiaries that engage in climate mitigation are subject to institutional duality and would be likely to exhibit three characteristics:

(a) They perceive high levels of pressure from their host country's institutional environments to adopt climate mitigation initiatives (Bansal and Roth 2000; Delmas and Toffel 2004; Sharfman et al. 2004; Sharma and Vredenburg 1998);
(b) They are large and highly visible in their host country, so experience more demands to gain legitimacy there (Delmas and Toffel 2004).
(c) They can frame their climate mitigation initiatives as being in line with the organizational values of both the parent corporation (Yang and Rivers 2009) and the norms and values of their host country.

3 Method

We started the analysis of the MNC from the theoretical perspectives presented above and iteratively added insights from our participatory observation to develop more detailed and empirically grounded propositions (Bansal and Roth 2000; Hoffmann et al. 2009; Manning 1982).

3.1 Data Sources

We used a large set of diverse data to derive our findings, including extensive ethnographic participatory observation, interviews, and analysis of document contents. The participatory observation lasted from September 2007 to October 2010, during which time one researcher was located at the headquarters site of our focal auto multinational and was able to capture information on the phenomenon under study from an insiders' perspective (Mayring 2002). This is an important feature of our research: We observed that other researchers approaching this MNC with questionnaires or interview inquiries during the period of our participatory observation were often only presented with publicly available information, and thus gained no inside views in their interviews with MNC employees. So we were in the unique position of being able to study the phenomenon under study (a) in its natural setting, (b) in real time, and (c) by gaining access to special references associated with this phenomenon (Mayring 2002; Punch 2005).

The tasks of the researcher located within the manufacturer broadly related to the issue of climate change and its possible implications for the automotive industry and the MNC. We were granted access both to headquarters and subsidiaries, which enabled the researcher to familiarize himself with the organization's daily work routine and "to learn about the activities of the people under study in the natural setting through observing and participating in those activities." (Kawulich 2005, p. 2). During his daily work the researcher observed at first hand the national subsidiaries' climate change initiatives, and discovered that these subsidiaries' initiatives arose in an uncoordinated manner, as none of the subsidiaries we studied were aware of the climate change mitigation initiatives undertaken by other subsidiaries. By working both within the headquarters and with the subsidiaries, the researcher gathered first impressions about the circumstances that facilitated the subsidiaries' initiatives: He gathered as much information as possible about these activities and established direct contact with the managers running them.

We also developed an understanding of the MNC's organizational structure, and learned about the interplay of the headquarters and its national sales and distribution subsidiaries in managing issues at the interface between the organization and the natural environment. Working within the MNC the author established direct contact with the MNC's Spanish and UK subsidiaries, both of whom engaged in climate change mitigation activities that—surprisingly—exceeded headquarters' requests. We also studied the activities of the US-based subsidiary which (compared to those in the UK and Spain) engaged in less proactive climate change mitigation activities. This setting helped us to understand why initiatives were established in Spain and the UK, but not in other subsidiaries.

3.2 Interviews

We complemented our participant observation with 26 face to face interviews, lasting between 45 and 120 min, conducted in August 2008 and from March to August 2009 (for an overview, see Table 1). We contacted the regional managers via email or phone to arrange face-to-face interviews at the subsidiaries, to which

Table 1 Interviewees by function and country

Function	HQ	Spain	USA	UK	Total
Environmental manager/environmental specialists	3	–	–	2	5
CSR manager/CSR specialist	2	–	–	–	2
Government affairs/external relations	1	–	3	–	4
Marketing/communications/press/public relations	1	1	1	1	4
Sales and distribution	1	1	–	–	2
Product management	–	1	–	1	2
Technical development/research and development	2	–	–	–	2
Other (e.g., management directors with cross-functions)	3	–	–	2	5
Total number of interviewees	13	3	4	6	26

they overwhelmingly agreed. Interviewees were notified that the interviews were part of an external research project, and were conducted by the author working at the MNC. Consequently, one co-worker was interviewing another. Using the snowball principle, we identified further interviewees from our initial contacts' suggestions. We also established contact with top managers and other relevant decision-makers at the subsidiaries to whom the initiatives had to be 'sold', who also agreed to be interviewed. The numbers of interviewees at the national sales and distribution subsidiaries differed according to their organizational setup: Most were with middle and senior managers. Our first headquarters interviewees were identified through professional contacts and subsequent respondents again via the snowball principle—most were middle managers.

The interviews covered general perceptions of how the issue of climate change was viewed by the headquarters, as well as how it was perceived at each subsidiary. We inquired into what had driven the subsidiaries' climate change mitigation initiatives, into how the implementation processes were set up, who was involved and what kind of feedback the subsidiary, headquarters and stakeholders in the host country provided on the initiatives. As the research project progressed and we refined our initial assumptions, we increased the level of detail in our questions, looking for emerging patterns by asking interviewees if they could confirm conclusions gained from previous interviews (Bansal and Roth 2000). Most interviews (when permitted) were taped, or notes were taken by the interviewer, and transcribed directly afterwards: All our transcripts were made available to the MNC for review.

3.3 Data Analysis

Our data analysis followed an iterative process. In a first phase, we verified whether subsidiaries' climate change mitigation initiatives were indeed proactive undertakings and not in response to institutional pressures by corporate headquarters or other MNC entities. One author brought an unbiased perspective to the interview analysis by not being present at any of the interviews. The authors screened all interview protocols independently, each individually marking interview quotes that related to antecedents of climate change mitigation initiatives. In this first phase we also ruled out the possibility that the initiatives were conducted unreflectively, i.e., in mimicry of similar moves by other MNC subsidiaries.

We conducted the actual analytic induction process as our second analysis phase. Each researcher individually screened all interviews for evidence of circumstances that facilitated the implementation of subsidiary initiatives. To avoid losing information, these interview quotes were not aggregated at this point—instead, we individually attributed a label to each quote we identified. We then reviewed each quote together and harmonized the label wording, and then aggregated them into categories, which we compared, in an iterative process, to existing theoretical constructs in the literature. This process reduced the number of categories—as some related to the same theoretical construct—and continued until we had matched all our categories of quotes to concepts in existent literature.

The following section presents our findings confirming that the subsidiaries undertook these climate change mitigation initiatives independently of their headquarters strategies, after which we present our propositions on the antecedents of their initiatives.

4 Results

We began our study by researching whether the subsidiaries' climate change mitigation activities were indeed *initiatives* and not activities mandated by headquarters. We noted that the relevant activities in the British and Spanish subsidiaries began in 2007, at which time the MNC's headquarters was addressing the issue of climate change only by focusing on regulatory compliance. Two years after the subsidiaries established their initiatives, headquarters began to engage more actively in the discourse on the natural environment, sustainability, and climate change (see Fig. 1).

Over time, the subsidiary initiatives encouraged the headquarters' marketing department to create a common communication strategy under which all the subsidiaries' activities could be jointly communicated as initiatives of the MNC (rather than only of its subsidiaries). During our research, we observed the biggest shift at the headquarters on the climate change issue occurred in early 2010, when the MNC launched a new marketing campaign that moved away from a 'hard' focus on its cars and their characteristics, and instead focused on 'softer' topics such as the promotion of natural resource protection. Two marketing managers responsible for the campaign reported internally that a major impetus for establishing this campaign had come from the national sales subsidiaries' initiatives—as one put it: "Without the subsidiaries' initiatives, this [corporate] marketing campaign may not have been established."

Our interviews confirmed that the subsidiary initiatives deviated from what were the dominant headquarters values at the time. However, we found four characteristics of subsidiaries that facilitated these initiatives despite this HQ attitude (see Fig. 2), and which we describe in more detail in making the following propositions.

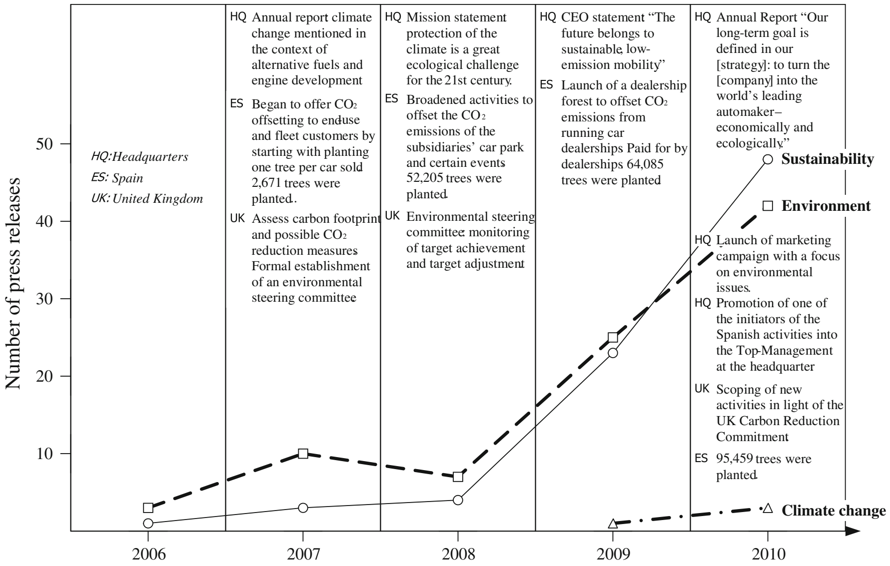

Fig. 1 Activities performed by the subsidiaries. Activities performed by the subsidiaries and headquarters between 2006 and 2010. The graph only shows the levels of engagement of the headquarters on the three issues of, **a** environment, **b** sustainability, and **c** climate change, based on information derived from a search of the company's publicly available press release database for those search terms

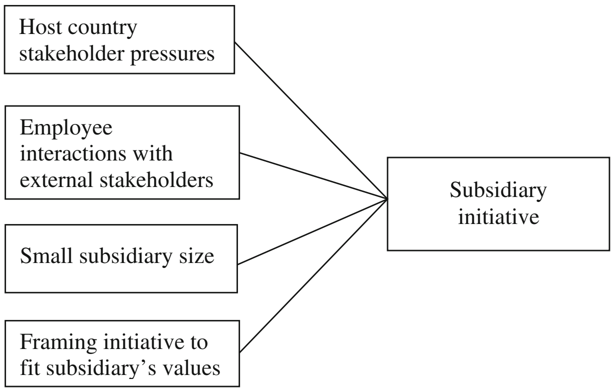

Fig. 2 Characteristics of the subsidiary initiatives that deviate from headquarter values

5 Propositions

5.1 Host Country Stakeholder Pressures

Previous studies have confirmed that pressures in the external institutional landscape facilitate initiatives to protect the natural environment (Bansal and Roth 2000; Christmann 2004; Delmas and Toffel 2004; Kostova and Zaheer 1999; Sharfman et al. 2004; Sharma and Henriques 2005). Since the car manufacturer we analyzed is a global player—and therefore highly visible—we expected it to be exposed to pressures for climate change mitigation measures in its host countries which might result, for example, in national taxes on fuel or taxes on greenhouse gas emissions. The MNC headquarters would be aware of these national schemes, which would influence company decisions about which car models were launched in which countries. In addition to national regulators, non-governmental organizations (e.g., Greenpeace 2007, 2009) also pressured the automotive industry to demonstrate engagement with the climate change issue. Our interviewees identified companies that buy car fleets (fleet customers) as another group which exerted coercive pressure. As these observations (see evidence in Table 2) were in line with our expectations—and were consistent with earlier research—we suggest:

Proposition 1: Subsidiaries are more likely to implement climate change mitigation initiatives if they are pressured by host countries stakeholders.

Private customers, in contrast, are not generally perceived as pressuring car manufacturers to reduce greenhouse gas emissions: In fact, however, we observed that the subsidiaries' climate change initiatives—for example the CO_2 offsetting scheme in Spain—resonated overwhelmingly with private customers. These initiatives are neither targeted at nor responded specifically to the prevailing local regulatory or fleet customers' pressures. We do not believe the levels of host country pressures alone could consistently explain why some subsidiaries implemented such initiatives—our following propositions attempt to explain these findings more fully.

5.2 Employee Interactions with External Stakeholders

We observed that employees from those subsidiaries which implemented initiatives proactively differed considerably from those at their more reactive counterparts in terms of their levels of direct interaction with their external stakeholders. We noted that a higher proportion of employees of those subsidiaries that implemented climate change initiatives (in Spain and in the UK) interacted with external stakeholders than in the US subsidiary, where this share was lower. These interactions enabled the employees to identify issues relevant for their subsidiary.

Our interviewees from these proactive subsidiaries referred often to their interactions with fleet and corporate customers, with motor press journalists and with non-governmental organizations (see evidence in Table 3).

Some interview partners acknowledged that a possible motive for fleet customers putting pressure on their car supplier might have been to transfer the pressure they were themselves exposed to, as similarly large and visible corporations. One interview partner from the headquarters said:

> Our large fleet customers experience pressure for green procurement themselves and they pay attention to their environmental image. Therefore the choice of fleet cars is also made on environmental criteria.

and a Spanish interview partner pointed out:

> They [fleet customers] can sell internally that they are environmental friendly to their customers and their employees.

We also observed that fleet customers asked for a range of environment-related data in their tenders, including, for example, the actual CO_2 emissions involved in car's construction life cycle up to delivery to the customer, as well as key performance indicators on its later recyclability. In requesting such detailed information, fleet customers differed substantially from private end-users.

We also observed that the employees who interacted directly with external stakeholders were able to mediate their unit's perceptions of the climate change issue, transmitting an understanding of the urgency and relevance of stakeholder demands back to their subsidiaries, and raising the level of recognition of climate change as an issue there (Andersson and Bateman 2000; Dutton et al. 1997). As one of the managers leading the Spanish initiative pointed out:

> We went to a lecture given by Al Gore here in Barcelona. There we learned about climate change ……. and started to become conscious of the problem. The lecture helped us to be more committed towards the idea we were planning and to believe in [it]. (Spain)

Given this evidence, we argue that:

Proposition 2: Subsidiaries with higher proportions of employees who interact with external stakeholders are more likely to implement climate change mitigation initiatives.

5.3 Small Subsidiary Size

Our data analysis further suggested that independent initiatives are more easily established in smaller subsidiaries, an observation which appears to contrast with earlier research. Wan and Hillman (2006) argue that a large subsidiary is "more likely to act independently by advancing its interests in the host country with less accountability to the parent" (Wan and Hillman 2006, p. 91). However, we suggest that the process of 'selling' the initiative internally may be easier in smaller subsidiaries (Dutton and Ashford 1993), since their smaller number of employees and the fewer hierarchical levels may lead to increased contacts between employees and its top management. In such situations, issue sellers are more likely to (a) have a feeling for how to package the issue as attractive to focal decision-makers and (b) face fewer hierarchical levels to which they need to sell the issue (Andersson and Bateman 2000, p. 549; Bansal 2003; Dutton and Ashford 1993): Both these criteria

Table 2 Evidence for host country pressures

Source of external pressure	Exemplary quote	Subsidiary location
Regulatory pressure	The ministry and other government bodies are quite serious contenders [in terms of influencing a climate strategy]	UK
Fleet customers	Corporate customers with their own programs of environmental responsibility examine [our] environmental credentials	UK
	Some fleet customers are asking about our subsidiaries environmental policies	UK
	Obviously we have various fleet companies who are quite influential, regardless of the topic, and certainly shape our response to the climate change issue	UK
	It depends on the type of customer. Fleet and large commercial customers as well as public customers focus in detail on the environmental aspects of our cars, which relates to green procurement	HQ
Private customers	The mentality of the [private] consumer is still quite far away from that [environmental issues]	Spain
	The private customer is not as concerned as we expect. At this moment the opinions of customers here in Spain are very influenced by the media	Spain
	Private customers look for prices and/or the relationship between quality, performance and price	Spain
	For the private customer, ultimately the price matters	Spain

Table 3 Evidence on the importance of employee interactions with external stakeholders

Importance of interaction with external stakeholders	Exemplary quote	Subsidiary location
	But when Al Gore came to Barcelona and he made his speech, his famous speech, we had five people who went there, and heard him: we said: wow, this is serious	Spain
	For us it is key to partner with our customers. You see, in our subsidiary, we don't build cars—this makes our sales job more difficult. The tool that has helped to gain visibility was [the company], which only runs our brand. Their business is expanding in London, a city which is anti-car, has high parking charges which are linked to CO_2. That [company] became a partner when we launched a new model on the UK market	UK
	My manager is obviously quite well engaged with the government such as DEFRA [the British Environmental Ministry] which are a regulatory body. We are also in discussion with the Department of Transport, because they shape the UK's transport policy	UK
	I suppose really it is important to talk to the people and retailers to see what they … what questions are being asked, and to make sure that our local sales staff are adequately equipped to answer them	UK
	There are various non-government groups that we are involved with	UK

fitted the subsidiaries we observed which pursued climate mitigation initiatives. Our interviews also indicated that it was easier to set up interdisciplinary teams in a small local subsidiary, where fewer people are needed to evaluate how such an initiative might affect its different domains, so the decision making process is simpler and the internal transaction costs involved in establishing the initiative are lower than in larger subsidiaries. Given the evidence we observed (such as that presented in Table 4) we conclude that:

Proposition 3: Smaller subsidiaries are more likely than larger ones to implement a climate change mitigation initiative.

5.4 Framing the Initiative to Fit Subsidiary's Values

Prior to our data analysis we expected MNC subsidiaries to frame their new initiatives in line with the prevailing organizational values at their headquarters. But in the large car manufacturer we examined these values did not support proactive climate change mitigation activities, as became evident from our interviewees' statements about the different perceptions of climate change at headquarters and subsidiary levels (see Table 5). At the time of our research, headquarters was largely perceived as being reactive on the issue, but very different sets of organizational values on climate change were evident at the more proactive subsidiaries, where the topic was considered important.

Our participatory observation confirmed the statements of our interviewees. We noted that the senior HQ management had been asked in previous years if the MNC would be willing to sponsor events at the United Nations Framework Convention on Climate Change (UNFCCC 2010), but had turned such approaches down on more than one occasion. This contrasted markedly with the stance of the Spanish subsidiary, which financially supported an event involving Al Gore that focused on the issue of climate change and the urgency of responding to it. Further evidence of differences between headquarters' and subsidiaries' organizational values includes the fact that some of the latter offered carbon offsetting mechanisms to their private customers. During our participatory observation period an initiative was proposed at headquarters to promote a carbon offsetting mechanism across the whole corporation, but was rejected by top management. Nevertheless, the number of subsidiaries offering carbon offsetting has increased, with positive local senior management involvement and support.

While those headquarters interviewees who had individual concerns about the climate change issue proved unable to initiate activities, the picture was very different at the subsidiary level, where we found evidence for both of Bansal's (2003) preconditions for the successful framing of ecological issues: Individual concern over the issue, and organizational values that were consistent with the proposed responses. But while Bansal (2003) assumes that there is a common set of organizational norms in an MNC, we saw that values at headquarters and at its subsidiaries were clearly not identical. We found that the framing efforts of those concerned about climate change were congruent with the organizational values of some individual subsidiaries, but not with overall organizational values as

Table 4 Evidence of the importance of small subsidiary size

Importance of small subsidiary size	Exemplary quote	Subsidiary location
	It was a team of five people, initially, who started these climate activities	Spain
	Then we all—that is the five person marketing team—went to meet with the Al Gore's team […]. We were all convinced after that meeting so it became easy to convince the rest of us in Spain	Spain
	We are a small team here, the project team members have known each other for a long time, as we have been working with the same people here in our subsidiary for the past ten or twelve years. The relationship between us and our internal collaboration has been very good. Also, our boss has been the same	Spain
	And we are very few people [here in Spain] and have very big targets so we …have a very fast way of working and getting things decided	Spain
	My personal work tasks relate to the work of at least three specialists at headquarters. So I have a wider responsibility and can decide quicker	Spain
	A lot of things [in the UK subsidiary] are done by a really small number of people	UK

Table 5 Organizational values on the issue of climate change at the time of our research

Relevant organizational values	Exemplary quote	Subsidiary location
Organizational values on the issue of climate change at the headquarters	It is difficult at times to place the issue of climate change, since the corporate management is in love with cars and therefore emphasizes other aspects than CO_2 emissions	HQ
	There is no officially approved statement on climate change, as climate change is not part of our core business	HQ
Subsidiaries' perception of headquarters organizational values on climate change	It depends on where we want to be! You know, if somebody on the top says, this is crazy, we are [company name], we should be No. 1 in the world, we should be the best authority on environmental issues, the people should come to us when they want a good honest opinion about what is happening, that is great, then we could do it from now … we can do activities others could not. But if we don't know where we are going, things get decided while we are not knowing where to go – and then it becomes very difficult for us to step in	UK
	But I don't know how strong the group wants to be on environmental issues	UK
	I mean, for instance, yesterday when I sat and listened to many of the environmentalists say, the debate is over on climate change, it is here, you know, it is urgent! We need to do something about it. I guess I don't know from the company's perspective—do we agree with that? Is it as critical as the environmentalists are saying? It is not clear to me. Because we get conflicting information	USA
	Where our company is [regarding climate change]—I don't know. It is difficult to say because I am not sure exactly what our company is today	UK
	Because we are probably not sure if that generally fits [our environmental program with the HQ], because unfortunately we have not really found one there	UK
	The rule I followed: [company name] does not comment on climate change	UK
	I do not know the company's official position on the issue of climate of change. I would hope we have one	Spain

Table 5 continued

Relevant organizational values	Exemplary quote	Subsidiary location
Organizational values on the issue of climate change at the subsidiaries	And then the sales department of our subsidiary was also convinced and then we had to convince the boss. But the boss clearly saw that we were convinced. So he said, if you are so convinced then that this is good for us, for the climate change and so on, then let's go on	Spain
	So he [the managing director of our subsidiary] has positioned it firmly as part of his agenda for the business. So it then becomes easier to have that discussion with somebody because they have seen that, no matter what, the top is interested in this as a topic	UK
	It is not the case that the climate change is something that somebody has invented—it is real	Spain
	No, I think it will be quite interesting that you also approach the importers to know a little bit of our reality here in Spain—what we are, how we work, who we are and that we are very focused here	Spain

represented by the headquarters. Unlike the 'lonesome warriors' of individual headquarters managers who wanted the company to engage in climate change mitigation efforts, it seems subsidiary managers were able to align their organizational subunit's activities with their personal values. We summarize these findings as follows:

Proposition 4: A subsidiary is more likely to implement climate change mitigation initiatives if these fit with its own organizational values.

6 Discussion

Our findings depart from those of previous studies which report that MNCs define their environmental strategies at headquarters and then roll out associated practices to their subsidiaries (Delmas and Toffel 2004; Christmann 2004; Christmann and Taylor 2001). Searching for an explanation to the different approaches of subsidiaries and their headquarters on the issue of climate change, we note Levy and Rothenberg's (2002) argument that companies interpret their "institutional environment through a unique lens, a product of its history, organizational culture, and market positioning" (Levy and Rothenberg 2002, p. 176) and, accordingly, argue that subsidiaries can interpret their own external institutional environments differently from headquarters.

Our findings both challenge and extend previous research in three ways. First, we observed that the subsidiaries that implement initiatives in the institutional environment tend to be smaller, a result which departs from previous studies (Hillman and Wan 2005; Wan and Hillman, 2006). In institutional literature, it is commonly accepted that large organizations are more visible and therefore exposed to greater institutional pressures (Meyer and Rowan 1977), and the idea that organizations' strategic responses to institutional pressures become more responsive as those pressures increase is rarely challenged (Goodstein 1994; Oliver 1991). However, we question the routinely accepted implication that large subsidiaries are more responsive to institutional pressures than small subsidiaries, and suggest that a field's maturity needs to be given more attention before such conclusions can be made. Institutional change may be initiated in mature organizational fields by powerful actors at the fields' centers (Greenwood and Suddaby 2006). But in emerging institutional fields, it may be those actors at the edge of the field who initiate change (Maguire et al. 2004). In our research setting, the small subsidiaries, which were at the edge of the MNC's field, appear to have enjoyed the freedom of their non-centrality to initiate change in their responses to an environmental issue. It is these subsidiaries that may have both a bridging position at the edge of their intra-organizational field and the necessary resources to address such issues. Thus, it may be that the small subsidiaries of large MNCs display the highest level of agency and responsiveness to the institutional pressures they find in their host countries.

Second, we confirm the importance of framing an issue in ways that align with organizational values to gain internal support for responding to it (Bansal 2003). While previous literature on framing has assumed a common set of organizational values in the MNC, our findings show that a subsidiary's values may differ from those of its headquarters. In a situation where the headquarters provides no clear guidance, we observe that subsidiaries' actors can frame issues in line with the organizational values of their subsidiary. This implies that there may be a hierarchy of organizational values for the purpose of framing. Possibly, successful actors prefer to frame initiatives along the organizational values of their powerful parent company, which would align with Bansal's (2003) argument. However, when the relevant values at the headquarters are not yet well established, local actors in subsidiaries may prefer to frame their initiatives according to their own organizational values. Here, a subsidiary can play a very important role in the overall MNC, by filling an 'institutional void' as yet unaddressed by organizational values at headquarters.

Third, the considerable complexity of organizational values that we observe also holds implications for the concept of institutional duality. While we initially based our research on this concept, we believe that the two poles of the duality—pressures from headquarters and pressures from the host country—were insufficient to explain the variation we observed in the implementation of initiatives. Forsgren, Pedersen and Foss (1999) attribute more freedom in decision-making to subsidiaries than the concept of institutional duality suggests, and argue that they can take on a more strategic role than being "a mere implementer of a parent company's decisions" (Forsgren et al. 1999, p. 182). We support this position, and recognize both the agency of subsidiaries as well as their institutional embeddedness in their local host countries. However, rather than rejecting the concept of institutional duality we suggest an extension—'institutional trinity'—that clearly distinguishes between (1) the norms and values of the headquarters, (2) the norms and values of the subsidiary and (3) the norms and values of the latter's external institutional environment. Our case study demonstrates that such a concept is better suited to explain subsidiaries practices than the current institutional duality model. This expanded concept can also help reconcile the conflicting predictions of institutional theory in the context of MNCs with those of the literature on subsidiaries' entrepreneurial activities (Ambos et al. 2010; Birkinshaw 1997; Rugman and Verbeke 2001; Tallman and Chacar 2011). While this literature recognizes that subsidiaries have their own set of organizational values, it does not account for the roles of pressures existing in host countries or those originating from headquarters. The extended concept we suggest may be a starting point from which to build a bridge between these two previously separate literature streams on MNCs.

7 Conclusion

Our study contributes towards understanding under which circumstances subsidiaries define and implement initiatives that deviate from their headquarters' organizational values. We find that pressure from stakeholders alone is insufficient to explain why some subsidiaries engage in initiatives in the institutional environment. On the one hand, the structure of the subsidiary influences its responsiveness to institutional demands—specifically, small subsidiary size and a high proportion of employees exposed to external stakeholders facilitate the subsidiary's agency in its institutional environment. On the other hand, we observe that framing an initiative in line with the subsidiary's values is critical for its actual implementation.

7.1 Future Research

The limitations of this study provide some suggestions for future research. First, our study was limited to observing one case in depth, thus our sample consists only of managers from one corporation which operates in one industry. So we are unable to report whether our findings are specific for the automotive industry or might be replicable in other sectors: Future quantitative research should therefore test our propositions in different industries.

Second, we were unable to account for financial performance differences between the different subsidiaries. It may be the case that more financially profitable subsidiaries have greater leeway in taking initiatives than others. We also highlight that, at the time of the study, the subsidiaries we investigated were pursuing their initiatives on climate mitigation while facing a rather difficult market situation, with both sales and profits declining: This point is worth mentioning as previous literature has suggested that such initiatives are more commonly undertaken when both the company's financial situation and the economic setting in which it operates are favorable (Campbell 2007). In addition to these factors, differences in legal or cultural environments may also have a moderating effect on the implementation of subsidiary initiatives—future quantitative research could assess different cultural contexts and verify how they might moderate the implementation of subsidiary initiatives (cf. Steenkamp and Geyskens, 2012). Differences in legal environments (such as national climate policies) should also be controlled for in quantitative research.

Finally, our research focuses on an emerging issue—climate change: Its findings may not be readily transferred to subsidiaries' initiatives in more mature organizational fields. Our paper investigates why some subsidiaries begin initiatives to address that specific issue, but it is beyond its scope to detail the subsequent process of how these initiatives then facilitate change in other subsidiaries or at the MNC's headquarters. But whether and how such initiatives are taken up company-wide would be worth investigating, as we believe such deviations of organizational values can be a valuable source of the development of dynamic capabilities at the corporate level.

7.2 Managerial Implications

Our study leads to three recommendations for MNC managers. First, its shows the benefits of a corporate culture that is not monolithic and over-prescribed by headquarters. The MNC in our study allowed its subsidiaries to develop their own sets of values: This latitude meant that they already had values that enabled them to respond swiftly to an emerging issue in their own institutional environments. Second, our study suggests that headquarters' monitoring of subsidiaries should enable them to recognize when their activities might be a source of innovation for overall corporate strategy. Subsidiaries may either identify certain issues as relevant at an earlier stage than headquarters, or identify additional aspects as relevant for the overall organization. Third, we recommend that MNCs' headquarters should explicitly encourage their subsidiaries to take on proactive roles in 'pioneering' strategies at the local level. Their location in certain restricted market environments, and at the periphery of the MNC's fields, can allow subsidiaries to test ideas and develop capabilities which may later become valuable for the whole corporation.

We believe our findings call for a stronger focus on individual subsidiaries and their potential as change agents to address issues in their institutional environments.

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